

Message Text

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15

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 SAM-01 IO-10 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

INT-05 NSC-05 SS-15 STR-04 CEA-01 L-03 H-02 DODE-00

PA-01 PRS-01 /109 W

----- 128670

R 110938Z JUN 75

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 2035

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

AMEMBASSY LISBON

AMCONSUL LOURENCO MARQUES

AMEMBASSY PARIS

LIMITED OFFICIAL USE PRETORIA 2116

PARIS ALSO FOR OECD

CAPE TOWN ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: EFIN, SF, MZ

SUBJ: MOZAMBIQUE/SOUTH AFRICA MINE LABOR AGREEMENT

1. IN COURSE OF CONVERSATION WITH EMBOFF JUNE 10 SOUTH AFRICAN
RESERVE BANK DEPUTY GOVERNOR DE KOCK MENTIONED THE AGREEMENT UNDER
WHICH PART OF THE WAGES OF MOZAMBIQUE MINERS IS PAID IN GOLD TO
THE MOZAMBIQUE GOVERNMENT.

2. HE SAID THE AGREEMENT WITH PORTUGAL CALLED FOR THE GOLD TO BE
VALUED AT "THE PUBLIC EXCHANGE RATE," BUT THIS WAS NOT DEFINED AND
DID NOT MATTER SINCE THERE WAS THEN ONLY ONE PRICE FOR GOLD.

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SINCE THEN SOUTH AFRICA HAS USED THE IMF PRICE IN VALUING GOLD

UNDER THE AGREEMENT BUT THIS WAS A CONSCIOUS POLITICAL DECISION AND ACCORDING TO THE BANK'S LEGAL EXPERTS IS NOT REQUIRED BY THE AGREEMENT. THE RESULTING SUBSIDY TO MOZAMBIQUE IS SUBSTANTIAL AND IS BORNE BY THE MINES, WHICH GET A LOW PRICE FOR PART OF THEIR PRODUCTION, AND BY THE GOVERNMENT, WHICH COLLECTS LESS IN TAX ON THE MINES. THE MINES HAVE GRUMBLED BUT HAVE BEEN TOLD THAT THERE ARE OVERRIDING POLITICAL REASONS FOR CONTINUING THE ARRANGEMENT, AT LEAST FOR A WHILE.

3. DE KOCK WONDERS WHAT WILL HAPPEN IF THE IMF INTERIM COMMITTEE, NOW MEETING IN PARIS, ABOLISHES THE OFFICIAL PRICE. THIS WOULD KNOCK THE LAST PROP OUT FROM UNDER THE PRACTICE OF VALUING THE MOZAMBIQUE GOLD AT \$42.22. HE IS SURE THAT A WAY CAN BE FOUND TO CONTINUE TO SUBSIDIZE MOZAMBIQUE, QUIETLY AS IN THE PAST IF NECESSARY, BUT DOES NOT SEE HOW THE ARRANGEMENT CAN CONTINUE IN EXACTLY ITS PRESENT FORM IF THE OFFICIAL PRICE IS ABOLISHED AND \$42.22 BECOMES A MERE HISTORICAL CURIOSITY.
BOWDLER

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